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C O N F I D E N T I A L SANTO DOMINGO 000215

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DEPT FOR WHA, WHA/CAR, WHA/EPSC; DEPT PASS TO USTR (A.
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TAGS: [ECIN](#) [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [DR](#) [ELAB](#)
SUBJECT: DR-CAFTA - DOMINICAN PRESIDENT'S QUANDRY ON
HYDROCARBONS RESOLUTIONS

REF: A. SANTO DOMINGO 128
[1](#)B. SANTO DOMINGO 164

Classified By: ECONOMIC OFFICER STEPHEN WHEELER FOR REASONS 1.5(b)(d)

[1](#)1. (SBU) At a January 26 meeting with the Ambassador arranged at short notice by Customs Director General Miguel Cocco, President Leonel Fernandez said that his administration had arrived at an interim agreement with the passenger transportation sector to avoid general strike of buses and "public taxis" previously announced for January [1](#)30. Fernandez, who had spent the day in the countryside campaigning, was cordial as usual but appeared tired. When the Ambassador greeted him, the President responded, "I'm still alive."

[1](#)2. (C) Fernandez said that the state had played an intermediary role in calming problems in the transportation sector, but said that the dispute between Chevron and fuel transporters "has nothing to do with the government." He expressed dismay that the issue was holding up entry into force of DR-CAFTA for the Dominican Republic. "Sometimes it seems that Washington doesn't want this agreement with us. We had everything complete in December and we still didn't get in."

[1](#)3. (C) The Ambassador assured Fernandez that the United States wants DR-CAFTA to enter into force for the Dominican Republic as soon as possible. He agreed that Chevron's negotiations with its service providers should be a private business matter. At the same time, he said, the U.S. government has serious concerns over Commerce Ministry Resolutions 148-06 and 23-07, which appear to bar fuel companies operating in the Dominican Republic from exercising their contractual option to terminate contracts with Dominican trucking firms upon 30 days' notice without further justification. The Ambassador said that these resolutions are in conflict with the services chapter of CAFTA and are holding up entry into force. He urged that a solution be found, suggesting cancellation of the resolutions or issuance of new ones that would eliminate the CAFTA conflicting provisions.

[1](#)4. (C) Fernandez responded, "If Chevron can agree with the transporter, we can rescind the resolutions. However, if we were to rescind now, a widespread strike could occur." He repeated his point of view that this should not be a DR-CAFTA issue. When the Ambassador pressed for elimination or modification of the resolutions, Fernandez responded, "We'll let Chevron negotiate first, then when everything is clear we'll rescind the resolutions. We need time to avoid public

disorder." (Note: Chevron representatives told Embassy officer that Secretary of Industry and Commerce Garca had proposed delaying contract cancellations for two years when they met with him earlier last week. Chevron is studying the Dominican proposal.)

Cocco's View

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15. (C) That morning the Ambassador had met with Director for Customs Miguel Cocco on another subject. When the impasse over fuel contracts came up, Cocco said, "This isn't about the jobs of a bunch of drivers. It's about 4 or 5 people!" He was referring to the owners of the transport companies with contracts being cancelled by Chevron. Cocco called the national security argument used by Garca "spurious" and "infantile." At one point, Cocco, who met with the Ambassador and Embassy officers alone, called in an assistant and said he wanted her to hear what he was about to say. He proceeded to explain that the transportation sector in the Dominican Republic is a thoroughly corrupt business and has been for years -- comments for which he received ready agreement from the assistant. He added that the fuel transport business is a monopoly that "has to be stopped." Upon hearing that the Ambassador had not received a response from the presidency on a request for a meeting, Cocco peremptorily told his assistant to get the President's party on the phone. The presidency confirmed the meeting for the Ambassador shortly afterwards.

Comment:

16. (C) The fact that President Fernandez linked the general strike to Chevron's contract cancellations indicates that the government's priority is to avoid disruption in the transport

sector just as presidential campaigning is getting under way for May 2008. Administration strategists might try to use management of the Chevron cancellations to suggest that the government is tough, even though it has temporized with the passenger transport sector and may be seeking to escape its commitment to the IMF to cut government subsidies for cooking gas, the majority of which is sucked up by passenger transport vehicles. And the President's stated view that this is an issue between two private sector firms is not logically consistent with his support for the intervention of his Secretary of Industry and Commerce in private sector contracts. The government acknowledges that resolutions 148 and 23 were issued in response to Chevron's attempt to exercise its contract provisions. They directly curtail Chevron's ability to conduct its business operations freely in accordance with existing Dominican laws.

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